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**Technology, Energy &  
Communications Committee**

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**HB 1761**

**Brief Description:** Providing incentives to support renewable energy.

**Sponsors:** Representatives Chase, Morris, Nixon, Upthegrove, Tom, Springer, Moeller, P. Sullivan, Hudgins, B. Sullivan, Sells, Appleton, Darneille, Green, Flannigan, Blake, Hunt, McCoy, Kagi, Pettigrew, Simpson, Williams, Morrell, Eickmeyer, O'Brien, Linville, Clibborn, Conway, Dunshee, Walsh, Buri, Kenney, Miloscia, Grant, Ormsby, Campbell, Wood and Kilmer.

**Brief Summary of Bill**

- Establishes cost recovery incentives for investment in solar and wind electricity generation systems.

**Hearing Date:** 2/17/05

**Staff:** Sarah Dylag (786-7109).

**Background:**

Photovoltaics (solar-electric technologies) is an alternative to more traditional methods of generating electricity. It is a technology that converts light directly into electricity without moving parts, noise, or air or water pollution.

Wind power generation uses wind energy to turn the rotor of a wind turbine that drives the shaft of a generator to produce electricity. Large wind farms use turbines on towers that can produce up to 1.5 megawatts of electricity each. Smaller turbines are available for distributed generation on-site or in remote locations.

A recent report by the Washington State University (WSU) Energy Program recognized the solar electric industry as one of the state's important growth industries. The businesses in this industry have been increasingly expanding and relocating their operations elsewhere. The report indicates that additional incentives for the solar electric industry are needed in recognition of the unique forces and issues involved in business decisions in this industry.

The public utility tax is the state's business tax on the gross receipts of public and privately-owned utilities. It has five different rates, depending on the specific utility activity. Proceeds from the public utility tax go primarily to the State General Fund.

**Summary of Bill:**

Investment cost recovery incentives are created to encourage investment in renewable energy projects. Beginning July 1, 2005, cost recovery incentive payments are available to an individual, a business, or a local governmental entity that generates electricity on its own property using a wind or solar energy system.

The applicants must submit a request for a system certification to the Department of Revenue (Department) and the Climate and Rural Energy Development Center at WSU. The Department must advise the applicant whether their system qualifies for the incentive program. The Department may consult with the climate center in making its decision on eligibility.

The incentive is calculated off a base rate of 15 cents for each kilowatt hour of energy produced. That rate is adjusted based on where the equipment or components were manufactured. The incentive rate is multiplied by the following factors:

- For customer-generated electricity produced using solar modules manufactured in Washington: two and four-tenths;
- For customer-generated electricity produced using a solar or a wind generator equipped with an inverter manufactured in Washington State: one and two-tenths;
- For customer-generated electricity produced using a wind generator equipped with and blades manufactured in Washington State: one;
- For all other customer-generated electricity produced by solar or wind: eight-tenths.

Each applicant is limited to \$2,000 in cost recovery payments per year. Each light and power business is allowed a credit against its public utility tax for incentive payments paid to applicants. The credit is limited to one quarter of one percent of its taxable power sales. If incentive requests exceed the amount of credit available, the power and light business may, at its option, prorate the payments or make the payments on a first-come, first-served basis.

**Appropriation:** None.

**Fiscal Note:** Preliminary fiscal note available.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2005.